



RIAA RELEASES MIDYEAR ANTI-PIRACY STATISTICS

Internet Piracy A Looming Threat; CD-R Piracy
Explodes; Progress Made At CD Plants

Washington, August 21, 1998 -- The Recording Industry Association of America's midyear anti-piracy statistics indicate that Internet piracy continues to threaten a legitimate marketplace for sound recordings online while CD-Recordable piracy is erupting. During the first six months of 1998, the RIAA assisted law enforcement in confiscating an extraordinary amount of unauthorized CD-Rs as compared to the same period last year. In its ongoing effort to combat online piracy, the trade group stepped up its efforts in the first half of the year and unveiled a university educational campaign, expanded its Internet enforcement team, and sued two more Internet for violating the rights of hundreds of artists.

"We're continuing to step up our Internet enforcement program to foster a legitimate marketplace for sound recordings," said Steve D'Onofrio, RIAA executive vice president and director of anti-piracy. The industry is working together to create an environment where emerging technology -- whether it be online or in CD-R format -- is not used illegally. Our role is to protect the artists, musicians, songwriters and record companies who create the content."

Taking A Stand On Internet Piracy

Using education and enforcement, the trade group's specialized Internet team of investigators and lawyers, with assistance from webcrawlers and other technological methods, is scanning the Internet for infringing sites. As a result, the RIAA sent hundreds of educational/warning letters addressing thousands of sites that were violating

artist and record company rights. The sites, which include linking sites (those sites that act as a conduit to unauthorized music archive sites), were all promptly shut down.

In April, the RIAA launched a pilot campaign with 10 colleges and universities to educate students and university administrators about the importance of respecting copyrighted sound recordings in cyberspace. The Soundbyting Campaign hosts an informational website, www.soundbyting.com, that includes a student curriculum and educational materials for students, administrators and faculty. Since its inception, 120 more schools have signed on to the campaign.

In May, the association sued two music archive sites that were illegally distributing full-length songs for download. The two sites have been shut down and the defendants have agreed to enter into a preliminary injunction.

In the pirate marketplace, the Internet is becoming a vehicle for selling illicit product. In the first six months of 1998, three individuals were arrested and/or indicted for selling bootlegs and CD-Rs with MP3 files burned on to them over the Internet.

Challenging CD-Recordable Piracy

With the advent of new and inexpensive CD-R hardware and blank discs, the RIAA is working with authorities to stop the proliferation of unauthorized music on CD-Rs. "Piracy in this format is proving to be the next big boom," according to D'Onofrio. "The RIAA is forcefully applying its civil and criminal programs to beat these elusive pirates who can set up shop in a kitchen for a few thousand dollars. We're seeing unauthorized CD-Rs that are being manufactured and distributed in the DJ community, for sale in retail locations across the country and via the Internet."

The RIAA confiscated 23,858 unauthorized CD-Rs during the first half of 1998, as compared to 87 in the same period last year. This is a significant number as CD-R pirates have less inventory than cassette or CD pirates because of the "burn on demand" nature of CD-R piracy. These individuals

typically work in their homes -- filling specific orders
-- not in large warehouses or underground factories.

Forty-three individuals were arrested in May for illegally manufacturing and selling CD-Rs. Operation Copycat -- a joint investigation by the RIAA, the Motion Picture Association of America and the New York Police Department -- shut down 15 locations, mainly in Brooklyn, Manhattan and the Bronx. This joint investigation also closed down the biggest CD reproduction lab to date capable of producing music on CD-Rs that would cause the industry to lose well over \$10 million a year in displaced sales.

Minimizing CD Piracy

In June, the RIAA addressed the legitimate recording and replication industries at the annual Replitech conference and unveiled suggested practical business solutions directed at curtailing piracy. Components of the voluntary plan suggest that CD plant employees know their customer and their product and implement a plant-wide plan to follow good business practices. "The RIAA is calling on the U.S. replication industry to police itself and bring to our attention instances of piracy, including the existence of illegal plants, which often rely on legitimate plants for mastering illegal CDs," said D'Onofrio. In the first half of the year, the association took legal action against a CD plant for copyright infringement, assisted law enforcement in a raid on an indicted CD plant operator for the second time, and assisted law enforcement in busting a CD brokerage company and a DJ service supply company for manufacturing illegal DJ compilations.

The number of counterfeit and pirate CDs confiscated during the first of half of 1998 -- 133,215 -- is more than 10 times the number recovered at mid year 1997. This is due in part to increased enforcement efforts by the RIAA and law enforcement in the DJ community, which has become a hotbed for illegal DJ mixes and compilations.

In January Lloyd Schiffres (owner of Top Hat Productions, Inc., a DJ service and supply

company) was arrested for the third time. Schiffres, who was convicted for producing 31 sets of unauthorized "For DJs Only" compilations, was under house arrest and wearing an electronic bracelet as part of his sentence from a previous conviction. In addition, Schiffres was ordered to pay \$20,000 in restitution.

In June, the RIAA received \$4 million in cash from Quixote Corporation, the former parent company of Disc Manufacturing Inc., for claims of copyright infringement. An RIAA investigation revealed that DMI Inc. (an independent CD plant no longer in business) replicated more than 200 illegal CD titles for music pirates.

Two underground California businesses, Sun Disc Technologies and OSE Optical, Inc., were busted in June. The raid resulted in the seizure of CD manufacturing equipment and materials valued at more than \$1 million along with approximately 15,000 alleged illegal audio CDs, thousands of which were of Brazilian artists.

Other Points Of Interest

Latin music piracy continues to threaten the health and future growth of Latin music. Sixty percent of all product seized in the first six months of 1998 was Latin repertoire.

Although cassette seizures have declined 44% since June 1996, the numbers jumped more than 20% from midyear 1997. This year's increase is a result of the crackdown on unauthorized DJ mixes in the DJ community, where cassettes are the format of choice for music pirates.

Bootleg seizures have dramatically dropped over the last six months due mainly to the success of Operation Goldmine in 1997 during which 13 individuals were arrested and approximately 800,000 bootleg CDs were recovered. This investigation accounted for almost all of the confiscated bootleg CDs at midyear 1997.

The number of actions taken in the first half of 1998 increased almost 400% over last year's figures with a substantial amount of Internet cases opened,

most of which were handled with cease and desist letters. In addition, the New York metropolitan area was a region of high activity where RIAA staff trained members of the New York Street Vendor Task Force on how to spot counterfeit, pirate and bootleg recordings. Of the 528 sight seizures that occurred in the first half of the year, 296 were in the New York area.

The RIAA is a trade association whose members create, manufacture and/or distribute approximately 90% of all legitimate sound recordings produced and sold in the United States. The RIAA investigates the illegal production and distribution of pirated sound recordings that cost the U.S. domestic music industry approximately hundreds of millions of dollars a year. Consumers and retailers can report suspected music piracy to the RIAA by dialing a toll-free hotline, 1-800-BAD-BEAT or sending email to badbeat@riaa.com.

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RIAA Contact: Lydia Pelliccia, lpelliccia@riaa.com
202.775.0101

1998 Midyear Anti-Piracy Statistics
Recording Industry Association of America

Counterfeit/ Pirate	1997	1998
Seizures	Midyear	Midyear
Counterfeit/ pirate	194,979	249,865
cassettes		
Counterfeit/ pirate CDs	12,325	133,215
Counterfeit/ pirate CD-Rs	87	23,858
Counterfeit/pirate/bootleg labels	1,527,888	1,010,272

Bootleg Seizures	1997	1998
	Midyear	Midyear
Cassettes	2,385	0
CDs	807,392	2,150
CD-Rs	355	0
Video (music related)	646	1,177

Actions Taken	1997	1998
	Midyear	Midyear
Search Warrants/	32	55

Consent Searches		
Arrest/Indictments	89	174
Sight Seizures (without the necessity of a search warrant)	64	528
Guilty Pleas/Convictions	46	398
Civil Suits Filed	4	4
Judgements/Settlements	6	3

